

Energy Effective Tax Rates: What Proportion of Production Value Does Each State Capture?

The effective tax rate is a ratio of tax revenue to gross production value:

$$\frac{\text{Production Value}}{\text{Tax Revenue}} = \text{Effective Tax Rate}$$

The effective tax rate accounts for differences between states' tax structures, and allows for comparisons of the tax rate paid by industry across states. Higher effective tax rates will capture more value from the same amount of production, providing government with more revenue.

Calculating the effective tax rate is an easy way to compare how each state's tax policy decisions compare because it takes into account all the different taxes, tax rates, and incentives in each state. Table 1 shows production values, energy revenue data, and effective tax rates in Colorado, Montana, New Mexico, Utah, and Wyoming. We added the effective tax rates for production taxes, property taxes, and state and federal royalties to arrive at the total tax rate paid by industry in each state.

Table 1: Production Value, Energy Revenue, and Effective Tax Rate in Colorado, Montana, New Mexico, Utah and Wyoming, 2006.¹¹

	Production Value	Production Taxes	Property Taxes	Royalties	Total Revenue	Effective Tax Rate	State Rank
Wyoming	\$19,205,049,360	\$988,113,065	\$962,592,273	\$1,132,005,554	\$3,082,710,892	15.9%	1
New Mexico	\$14,457,210,310	\$1,059,200,950	\$156,051,915	\$959,905,780	\$2,175,158,645	15.0%	2
Montana	\$3,122,113,050	\$233,495,247	\$11,690,801	\$79,145,790	\$324,331,838	10.4%	3
Utah	\$3,751,395,980	\$77,074,318	\$39,786,879	\$251,799,166	\$368,660,363	9.9%	4
Colorado	\$10,925,100,709	\$211,259,304	\$240,000,000	\$178,656,983	\$629,916,287	6.2%	5

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On page 8 is the following statement about a chart

"Wyoming has the highest production value of oil and natural gas at over \$15 billion in 2006, followed by

New Mexico with \$13.7 billion,
Colorado at nearly \$9 billion, and
Utah at \$3 billion.

Montana has the lowest production value from oil and natural gas at \$2.7 billion.

Figure 2: Contribution of Production Taxes, Property Taxes, and Royalty Revenue to Total Energy Revenue, 2006, Colorado, Montana, New Mexico, Utah, and Wyoming.⁵

